ARAB NATIONAL INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)

Financial Statements and Independent Auditors' Report

31 DECEMBER 2020

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Arab National Investment Company
(A Saudi Closed Joint Stock Company)

Opinion
We have audited the financial statements of Arab National Investment Company (the "Company"), which comprise the statement of financial position as at 31 December 2020, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters
The financial statements of the Company for the year ended 31 December 2019 were audited by another auditor who expressed an unqualified opinion on those financial statements dated 29 March 2020.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Arab National Investment Company
(A Saudi Closed Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Arab National Investment Company
(A Saudi Closed Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young

Rashid S. AlRashoud
Certified Public Accountant
License No. 366

Riyadh: 16 Sha'aban 1442 H
(29 March 2021)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	***31 December 2020 SR***	*31 December 2019 SR*
ASSETS			
NON-CURRENT ASSETS			
Property equipment and right of use assets, net	12	**3,230,800**	6,261,808
Intangible assets, net	14	**7,947,431**	8,563,632
Investments at fair value through profit or loss (FVTPL)	7	**188,343,468**	67,675,830
Investments in associates	8	**517,273,442**	210,533,352
Deferred tax asset	17	**2,805,733**	2,819,016
TOTAL NON-CURRENT ASSETS		**719,600,874**	295,853,638
CURRENT ASSETS			
Prepayments and other financial assets	9	**58,532,834**	33,679,123
Receivables against margin lending	10	**670,904,196**	715,560,054
Cash and cash equivalents	6	**127,997,379**	1,135,296,065
TOTAL CURRENT ASSETS		**857,434,409**	1,884,535,242
TOTAL ASSETS		**1,577,035,283**	2,180,388,880
LIABILITIES AND EQUITY			
NON-CURRENT LIABILITIES			
Employees defined benefit obligation	18	**25,308,243**	25,669,647
Lease liabilities	13	**1,996,741**	4,147,412
TOTAL NON-CURRENT LIABILITIES		**27,304,984**	29,817,059
CURRENT LIABILITIES			
Short term loans	15	**-**	714,965,658
Accrued expenses and other liabilities	16	**23,166,088**	25,903,099
Zakat and income tax payable	17 (b)	**31,363,913**	23,271,886
Current portion of lease liabilities	13	**948,000**	2,009,834
TOTAL CURRENT LIABILITIES		**55,478,001**	766,150,477
TOTAL LIABILITIES		**82,782,985**	795,967,536
EQUITY			
Share capital	19	**1,000,000,000**	1,000,000,000
Statutory reserve	20	**61,726,306**	50,845,680
Retained earnings		**432,525,992**	333,575,664
TOTAL EQUITY		**1,494,252,298**	1,384,421,344
TOTAL LIABILITIES AND EQUITY		**1,577,035,283**	2,180,388,880

The attached notes 1 to 34 form part of these financial statements.

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	***31 December 2020 SR***	*31 December 2019 SR*
OPERATING INCOME			
Brokerage fees income, net	21 (a)	**68,889,227**	27,173,894
Asset management fees income	21 (b)	**42,308,468**	35,568,417
Special commission income on margin lending		**22,344,285**	35,868,925
Corporate finance		**20,566,440**	5,250,000
Dividend income		**-**	320,000
Custody fees		**858,000**	858,000
Advisory fees	11	**50,300,500**	21,050,000
Special commission income on cash deposits	11	**13,898,700**	23,451,357
Unrealized (loss) gain on investment at fair value through profit or loss		**(802,362)**	603,534
Other income		**37,527**	-
TOTAL OPERATING INCOME		**218,400,785**	150,144,127
OPERATING EXPENSES			
Salaries and related benefits	22	**(54,698,694)**	(51,715,457)
Premises related expenses		**(1,397,099)**	(1,469,618)
Depreciation and amortization		**(4,059,531)**	(3,506,870)
General and administrative expenses	23	**(19,808,964)**	(17,697,885)
TOTAL OPERATING EXPENSES		**(79,964,288)**	(74,389,830)
NET OPERATING INCOME		**138,436,497**	75,754,297
Finance cost		**(9,510,180)**	(19,182,469)
Share of income from associates	8	**15,689,918**	277,460
INCOME BEFORE ZAKAT AND INCOME TAX		**144,616,235**	56,849,288
Zakat and income tax	17 (a)	**(35,809,979)**	(25,946,128)
INCOME FOR THE YEAR		**108,806,256**	30,903,160
Other comprehensive income not to be reclassified to income in subsequent years:			
Re-measurement gain on employee defined benefit obligation		**1,024,698**	5,831
OTHER COMPREHENSIVE INCOME		**1,024,698**	5,831
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**109,830,954**	30,908,991

EARNINGS PER SHARE :

Basic and diluted, income for the year per share	24	**1.09**	0.31

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital SR	*Statutory reserve SR*	*Retained earnings SR*	*Total SR*
As at 1 January 2019	1,000,000,000	47,755,364	305,756,989	1,353,512,353
Income for the year	-	-	30,903,160	30,903,160
Other comprehensive Income	-	-	5,831	5,831
Total comprehensive income for the year	-	-	30,908,991	30,908,991
Transfer to statutory reserve	-	3,090,316	(3,090,316)	-
Balance at 31 December 2019	1,000,000,000	50,845,680	333,575,664	1,384,421,344
As at 1 January 2020	1,000,000,000	50,845,680	333,575,664	1,384,421,344
Income for the year	-	-	108,806,256	108,806,256
Other comprehensive income	-	-	1,024,698	1,024,698
Total comprehensive income for the year	-	-	109,830,954	109,830,954
Transfer to statutory reserve	-	10,880,626	(10,880,626)	-
Balance at 31 December 2020	**1,000,000,000**	**61,726,306**	**432,525,992**	**1,494,252,298**

The attached notes 1 to 34 form part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	***31 December 2020 SR***	*31 December 2019 SR*
OPERATING ACTIVITIES			
Income before zakat and income tax		**144,616,235**	56,849,288
Non-cash adjustment to reconcile income before zakat and tax to net cash flows:			
Depreciation and amortization	12,14	**4,059,531**	3,506,870
Finance cost on lease liability	13	**188,195**	248,436
Provisions for employee benefit obligations	18	**3,311,521**	3,171,509
Unrealized loss (gain) on financial assets at fair value through profit or loss , net	7	**802,362**	(603,534)
Impairment charge on margin lending	10	**40,656**	46,462
Gain on sale of property ,equipment and right of use assets	12	**(37,527)**	-
Share in profit from associates	8	**(15,689,918)**	(277,460)
Operating cash flows before working capital changes		**137,291,055**	62,941,571
Receivables against margin lending	10	**44,615,202**	(86,941,646)
Prepayments and other financial assets	9	**(24,853,711)**	4,116,530
Accrued expenses and other liabilities	16	**(2,737,011)**	11,051,245
Net cash from (used) in operations		**154,315,535**	(8,832,300)
Finance cost on lease liabilities paid	13	**(188,195)**	(248,436)
Zakat and income tax paid	17 (b)	**(27,704,669)**	(28,098,210)
Employees defined benefits paid	18	**(2,648,227)**	(2,580,031)
Net cash from (used in) operating activities		**123,774,444**	(39,758,977)
INVESTING ACTIVITIES			
Purchase of property, equipment and intangibles	12,14	**(1,763,133)**	(1,764,957)
Purchase of financial assets at fair value through profit or loss	7	**(121,470,000)**	(30,000,000)
Purchase of investment in associate	8	**(325,000,000)**	-
Dividends received from investments in associates	8	**33,949,828**	7,865,000
Net cash used in investing activities		**(414,283,305)**	(23,899,957)
FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities	13	**(1,824,167)**	(1,894,407)
(Settlement) proceeds from borrowings		**(714,965,658)**	87,588,527
Net cash (used in) from financing activities		**(716,789,825)**	85,694,120
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR		**(1,007,298,686)**	22,035,186
Cash and cash equivalents at the beginning of the year		**1,135,296,065**	1,113,260,879
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**127,997,379**	1,135,296,065

NON CASH TRANSACTIONS:

Re-measurement gain on defined benefit obligation		**(1,024,698)**	(5,831)
Right of use assets		**1,350,811**	(7,403,115)
Lease liabilities		**(1,388,338)**	(172,479)

The attached notes 1 to 34 form part of these financial statements

1 ACTIVITIES

Arab National Investment Company (the "Company") is registered in Riyadh, Kingdom of Saudi Arabia under commercial registration No. 1010239908 on Shawwal 26, 1428 H (corresponding to November 7, 2007). The Company has taken over the management of the Arab National Bank ("ANB" or the "Bank") investment services and asset management activities related to dealing, managing, arranging, advising and custody of securities, as from the date of commencement of its commercial operations on January 12, 2008.

The Company is a closed joint stock company, which was converted from limited liability company on the directions from Capital Market Authority (CMA) dated Sha'ban 3, 1433 (corresponding to 23 June 2013). Such change was approved according to the Ministerial Resolution No. 317/G dated Muharram 19, 1436 H (corresponding to 12 November 2014), and a revised commercial registration was issued on 17 Rabi Al Awal 1436 H (corresponding to 8 January 2015).

The objective of the Company as approved by CMA Board of Commissioners on 28 Muharram 1437 H (corresponding to 10 November 2015) through a resolution number S/1/6/14832/15 is to conduct dealing as a principal as well as an agent; underwriting the asset management and investment banking activities, discretionary portfolio management, brokerage arranging, advising and custody activities in the Kingdom of Saudi Arabia. This includes various investment activities in Islamic and other related investments such as establishment and management of public equity portfolios, direct investments and real estate funds. Based on the directive of CMA through the letter dated 10 Rabi Al Awal 1437 H (corresponding to 21 December 2015), the Company has obtained the margin lending facility from Arab National Bank with effective from 1 April 2017. Therefore, the Company has amended its objectives to include margin lending financing.

In 2011, Arab National Bank acquired an additional 2% equity stake in the Company from the other shareholders, bringing ANB's equity stake in the Company to 100%. The legal formalities for the transfer of ownership and the amendment of the Company's articles of association, as required by article No. 164 of the Regulations for Companies, were completed. The Company's registered office is located at the following address:

King Faisal Road, Arab National Investment Company Building, Murabbaa District
P.O. Box 220009, Riyadh 11311
Kingdom of Saudi Arabia

The Company commenced its operations on 7 November 2007.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB"), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").(collectively referred to as "IFRS as endorsed in KSA").

The financial statements have been prepared on going concern basis under the historical cost convention, except for the following items in the statement of financial position:

- Investments at fair value through profit or loss ("FVTPL") is measured at fair value.
- Investments in associates are accounted for using equity method; and
- Defined benefit obligations are measured at present value of future obligations using the Projected Unit Credit Method.

The financial statements are presented in Saudi Riyals ("SR") and all values are rounded to the nearest one Saudi Riyal, except when otherwise indicated.

The financial statements provide comparative information in respect of the previous period.

3 SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Company in preparing its financial statements:

3.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repairs and maintenance costs are charged to the statement of comprehensive income during the period in which they are incurred.

The major categories of property and equipment are depreciated on a straight line basis as follows:

Asset categories	**Useful lives**
Leasehold improvements	Period of lease or 10 years; whichever is shorter
Furniture, fixtures and office equipment	4 years

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately each such part. The carrying amount of a replaced part is derecognized when replaced. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate. Impairment losses and gains or losses on disposals of property and equipment are included in statement of comprehensive income.

3.2 Intangible assets

Identifiable intangible assets
Intangible assets comprise of computer software.

Expenditures on internally developed software is recognized as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalized costs of internally developed software include all costs directly attributable to developing the software and are amortized over its useful life. Internally developed software is stated at capitalized cost less accumulated amortization and impairment, if any.

Amortization is recognized in the statement of comprehensive income on a straight-line basis over the estimated useful life of the software from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is 4 to 10 years.

Amortization method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Subsequent expenditures on software assets are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are expensed in the statement of comprehensive income as incurred.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial instruments

Classification of financial assets depends on the Company's business model for managing its financial assets and the contractual terms of the cash flows. The Company classifies its financial assets as:

- financial assets measured at amortised cost, or
- financial assets measured at fair value

Gains or losses of assets measured at fair value will be recognised either through the profit or loss or through other comprehensive income ("OCI").

Time deposits, due from related parties and other receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest and are measured at amortised cost.

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Initial measurement
Financial assets are initially measured at their fair value, plus transaction costs in the case of a financial asset at fair value through statement of comprehensive income. Transaction costs of financial assets carried at fair value through profit or loss are recognised in the statement of comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows meet the requirements as solely payment of principal and interest.

Subsequent measurement

Debt instruments
The Company recognises three classifications to subsequently measure its debt instruments:

- *Amortised cost*
  Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) are measured at amortised cost. A gain or loss on a debt investment subsequently measured at amortised cost and not part of a hedging relationship is recognised in the statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- *Fair Value through Other Comprehensive Income ("FVOCI")*
  Financial assets held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognised in the statement of comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI, is reclassified from equity to the statement of comprehensive income and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/expense.

- *Fair Value through profit or loss ("FVPL")*
  Financial assets that do not meet the criteria for subsequent recognition at amortised cost or FVOCI, are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through the profit and loss and which is not part of a hedging relationship is recognised and presented net in the statement of comprehensive income in the period in which it arises.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial instruments (continued)

Equity instruments
The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other operating income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

De-recognition
A financial asset or a part of a financial asset is de-recognised when:
a) The rights to receive cash flows from the asset have expired, or
b) The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
   - The Company has transferred substantially all the risks and rewards of the asset, or
   - The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets
The Company assesses all information available, including a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring at the asset as at the reporting date with the risk of default at the date of initial recognition based on all information available, and reasonable and supportive forward looking information.

The expected loss approach breaks the total loss amount modeling into following parts: probability of default (PD), loss given default (LGD), exposure at default (EAD). These are briefly described below:

Loss given default (LGD)
This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.

Probability of default (PD)
The likelihood of a default over a particular time horizon.

Exposure at default (EAD)
This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest.

Expected Credit Loss (ECL) Model
The Company uses a point in time (PIT) probability of default model to measure its impairment on financial assets. Point-in-time PD models incorporate information from a current credit cycle and assess risk at a point-in-time. The point-in-time PD term structure can be used to measure credit deterioration and starting PD when performing the allowance calculations. Also, when calculating lifetime expected credit losses, after the inputs are correctly converted, the cash flows are projected and the gross carrying amount, loss allowance, and amortised cost are calculated for the financial instrument.

Definition of default
In the above context, the Company considers default when:
the customer is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial instruments (continued)

Impairment of financial assets (continued)

Expected credit loss assessment for receivable against margin lending
The Company uses three categories for receivable against margin lending which reflect their credit risk and how the expected credit loss is determined for each of these categories. These internal credit risk ratings are aligned to external credit rating companies, such as Moody's.

A summary of the assumptions underpinning the Company's expected credit loss model is as follows:

Category	***Company's definition of category***	***Basis of recognition of expected credit loss***
Performing	Borrowers having a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Underperforming	Receivables for which there is significant increase in credit risk; as significant increase in credit risk is presumed if profit and / or principal repayments are 30 days past due.	Lifetime expected losses
Non-performing	Profit and / or principal repayments are 60 days past due	Lifetime expected losses

Over the term of the receivable against margin lending, the Company accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Company considers historical loss rates for each borrower and adjusts for forward looking macroeconomic data.

Write-off
The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Governance and controls
The Company has adopted an effective governance and control framework. Following aspects depict governance approach of management:

Data quality and availability: Management will maintain a detailed credit risk information that was not previously maintained, or is available but was not previously used for financial reporting purposes. Systems, processes and internal controls: On an ongoing basis, Company will produce IFRS 9 measurements and related disclosures within a short timeframe. Associated controls will be sufficiently automated and streamlined to deliver reliable results that are subject to appropriate review and challenge in the required timeframe. Further, as portfolio composition and market conditions change, processes, methodologies and assumptions will be adapted, in order to remain compliant with the requirements of IFRS 9.

Timely monitoring, review and challenge of IFRS 9 implementation plans, key decisions and output: Internal reporting mechanisms will be enhanced to support IFRS 9 implementation efforts and ensure timely decision making and reporting. Frequent review of whether assumptions and methodologies are consistent with business and risk management practices and strategies, including assessing whether they are consistent with those used in other areas of reporting and planning.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial instruments (continued)

Governance and controls (continued)
A strong governance and controls framework over ECL estimation and reporting will be developed, focusing on data integrity and model validation given the large population of data, models and systems that either did not previously exist or were not used in financial reporting. Additionally, those charged with governance would have oversight over why different models are used for different portfolios across varying jurisdictions.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the assets and settle the liability simultaneously.

3.4 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on a current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.5 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, bank overdrafts, and other short-term highly liquid investments with original maturities of three months or less. These deposits are made with reputable banks and financial institutions within the Kingdom of Saudi Arabia.

The Company also holds cash in clients' cash accounts with a local Saudi bank to be used for investments on their behalf. Such balances are not included in the financial statements.

3.6 Margin lending receivables

Margin lending receivables are recognized when the cash is advanced to the customers who trade in the capital markets. The cash advance is collateralized against equity securities purchased by the borrowers using these funds as well as any cash accounts that may be held by the customers. The outstanding receivable will decrease when either the borrowers liquidate their holdings or remit cash to reduce the utilization. Margin lending receivables are financed with initial coverage of at least 200%. This coverage is actively monitored and margin calls and liquidation calls are performed at specific predefined thresholds to ensure that the margin lending is sufficiently collateralised at all times. Customer portfolios can be liquidated to cover the loan amounts if the collateral coverage ratio drops below the liquidation level.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Investment in associates

The Company's interests in equity-accounted investee comprise interests in an associates. Associates are those entities in which the Company has significant influence, but no control or joint control, over the financial and operating policies.

Interests in an associates are accounted for using the equity method. Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognise the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investments.

When the Company's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Company has a corresponding obligation.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees is changed where necessary to ensure consistency with the policies adopted by the Company.

The carrying amount of equity-accounted investments is tested for impairment. The net investment in an associate is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the net investment (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows from the net investment that can be reliably estimated. Objective evidence that the net investment is impaired includes observable data that comes to the attention of the entity about the following loss events:

- significant financial difficulty of the equity-accounted investee;
- a breach of contract, such as a default or delinquency in payments by the equity-accounted investee;
- the entity, for economic or legal reasons relating to its equity-accounted investee's financial difficulty, granting to the associate or joint venture a concession that the entity would not otherwise consider;
- it becoming probable that the equity-accounted investee will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for the net investment because of financial difficulties of the equity-accounted investee.

The entire carrying amount is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount.

3.8 Employee defined benefit liability

The Company operates a defined benefit scheme for its employees in accordance with labour regulations applicable in the Kingdom of Saudi Arabia. The cost of providing the benefits under the defined benefits plan is determined using the projected unit credit method. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in the retained earnings and are not reclassified to profit or loss in subsequent periods. Re-measurements are not reclassified to profit or loss in subsequent periods.

Interest expense is calculated by applying the discount rate to the net defined benefit liability. The Company recognises the following changes in the net defined benefit obligation under 'general and administration expenses' in the statement of comprehensive income.

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Employee defined benefit liability

The defined benefit asset or liability comprises the present value of the defined benefit obligation, less past service costs and less the fair value of plan assets out of which the obligations are to be settled. However, currently the plan is unfunded and has no assets.

3.9 Short term loans

Short term loans are recognized at the proceeds received, net of transaction costs incurred. Further, upfront fee that was deducted in advance by the bank, is deferred and presented netting of the principle amount of the loan. Such deferred amount is amortized over the term of the loan using the effective interest rate method, which is not materially different from applying the prevailing interest rate. Finance costs on the short term loans are charged to the statement of income.

3.10 Accrued expenses and other payables

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method. Provisions for restructuring costs, warranties and legal claims are recognized in other liabilities when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted where the effect is material

3.11 Zakat and income tax payables

Zakat
Zakat is provided for in accordance with the Saudi Arabian regulations. The liability is charged to the statement of comprehensive income. This is adjusted, if applicable, upon receiving the final zakat assessment.

Income tax
Income tax assets and liabilities for the year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the Kingdom of Saudi Arabia where the Company operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

3.12 Contingent liabilities

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of obligations cannot be measured with reasonable reliability. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Revenue from contracts with customers

IFRS 15 Revenue from contracts with customers has established a five-step model to account for revenue arising from contracts with customers. The five step model is as follows:

a) Identify the contract
b) Identify performance obligation
c) Determine the transaction price
d) Allocation of the transaction price
e) Recognize revenue

The Company generates the following revenue streams that are covered:
a) Brokerage fees
b) Special commission income on margin lending
c) Asset management fees
d) Corporate finance and Advisory fees

3.13.1 Brokerage fees
Brokerage income is recognized when the related transactions are executed on behalf of the customers at the price agreed in the contract with the customers, and is recorded net of The Saudi Stock Exchange Company (Tadawul) fees, Capital Market Authority (CMA) fees and discounts. The performance obligation of the Company is satisfied when the Company carries out the transaction, which triggers immediate recognition of the revenue, as the Company will have no further commitments.

3.13.1.1 Special commission income on margin lending
Margin lending is an overdraft facility provided to customers to trade in the capital market. Interest income from margin lending is accrued daily on the outstanding balance on an effective yield basis. Margin lending fees are recognised based on customer utilisation of the margin lending facility at the applicable rates agreed in the contract with the customer.

3.13.1.2 Management and administration fees from investment funds
Management and administration fee income is recognized on a periodic basis (annual % pro-rated for daily accruals) with reference to the Net Asset Value ('NAV') computation. The Company's practice for recognition of management fees is aligned with IFRS since the Management fee is recognized on an accruals basis against the rendering of the Asset Management services that the Company is providing on an on-going basis.

3.13.1.3 Advisory and corporate finance
Advisory and corporate finance fee is recognized based on services rendered under the applicable service contracts using the five-step approach to revenue recognition above.

3.13.2 Other operating income

3.13.2.1 Net gain or loss on financial assets at fair value through profit or loss
Net gains or losses on financial assets at fair value through profit or loss are changes in the fair value of financial assets held for trading or designated upon initial recognition as at fair value through profit or loss and exclude interest and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of the prior period's unrealised gains and losses on the disposal of financial instruments which were realised in the reporting period. Realised gains and losses on the disposal of financial instruments classified as at fair value through profit or loss are calculated using the weighted average method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on financial instruments classified as at fair value through profit or loss (excluding payments or receipts on collateral margin accounts for such instruments).

3.13.2.2 Dividend income
Dividend income is recognised on the date when the Company's right to receive the payment is established. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date on which the shareholders approve the payment of a dividend. Dividend income from equity securities designated as at FVOCI is recognised in the statement of comprehensive income in a separate line item.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Revenue from contracts with customers (continued)

3.13.2 Other operating income (continued)

3.13.2.3 Special commission income and expense

Special commission income and expense for all commission-bearing financial instruments is recognised in the statement of comprehensive income on an effective yield basis. The effective commission rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective commission rate, the Company estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

3.14 General and administrative expenses

General and administrative expenses are mainly staff costs and professional fees. All other expenses are classified based on their nature in the statement of comprehensive income.

3.15 Earnings per share

Basic and diluted earnings per share are calculated by dividing the income for the year attributable to the shareholders of the Company by the weighted average number of outstanding ordinary shares.

3.16 Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3.17 Assets held in trust or in a fiduciary capacity

Assets held in trust or in a fiduciary capacity by the Company are not treated as assets of the Company and accordingly are treated as off-balance sheet items in these financial statements.

3.18 Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the Company's functionally currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in profit or loss or other comprehensive income are also recognized in profit or loss or other comprehensive income, respectively).

4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

The key assumptions concerning the future and other key estimates made regarding uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

4.1 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for debt instrument measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the input, assumptions and estimation techniques used in measuring ECL is further detailed in note 3.3 Impairment - Financial assets, which also sets out key sensitivities of the ECL to changes in these elements.

4.2 Measurement of the net employment defined benefit liabilities

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates.

4.3 Impairment of non-financial assets

Intangible assets and investment properties are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or 'CGUs'). Recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management).

The Company evaluates impairment losses, for potential reversals when events or circumstances warrant such consideration.

4.4 Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company invests in redeemable units of unlisted mutual funds, which are also managed by the Company. The funds are open for subscriptions/redemptions on a periodic basis as mentioned in the terms and conditions. The value of the net assets of the funds for the purpose of the subscription/redemption of units is determined by dividing the net assets attributable to unitholders of the funds (fair value of the funds' assets minus the liabilities) by the total number of the funds' units outstanding on the relevant valuation day.

4.5 Useful lives of property and equipment

The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the useful lives and residual value of the assets at least once per year and always at the end of each financial year and the future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

4.6 Useful lives of intangible assets

The useful life starts at the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is four years.

Useful lives are reviewed at each financial year-end and adjusted if appropriate.

5 NEW IFRS, AMENDMENTS AND INTERPRETATIONS ADOPTED BY THE COMPANY

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Company.

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Company.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right

5 NEW IFRS, AMENDMENTS AND INTERPRETATIONS ADOPTED BY THE COMPANY (continued)

Standards issued but not yet effective (continued)

Amendments to IAS 1: Classification of Liabilities as Current or Non-current (continued)

- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendment.

6 CASH AND CASH EQUIVALENTS

	31 December 2020 SR	*31 December 2019 SR*
Cash at hand	**30,000**	35,000
Cash held at banks – current accounts	**19,839,656**	44,011,065
Cash held at banks – demand deposit	**108,127,723**	1,091,250,000
Cash and cash equivalent	**127,997,379**	1,135,296,065

7 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Investments at fair value through profit and loss consist of investments in local money market funds, mutual funds and real estate funds. The movements are set out below:

	31 December 2020			
	Cost ***SR***	***Additions*** ***SR***	***Unrealised gain (loss)*** ***SR***	***Fair value*** ***SR***
Al Mubarak SAR Trade Fund (note 7.1)	**48,054,701**	**121,470,000**	**4,449,755**	**173,974,456**
Al Mubarak Diyar Jeddah Real-estate Fund (note 7.2)	**9,645,390**	**-**	**1,797,491**	**11,442,881**
Al Mubarak Real-estate Income Fund (note 7.3)	**4,000,000**	**-**	**(1,073,869)**	**2,926,131**
	61,700,091	**121,470,000**	**5,173,377**	**188,343,468**

	31 December 2019			
	Cost *SR*	*Additions* *SR*	*Unrealised gain (loss)* *SR*	*Fair value* *SR*
Al Mubarak SAR Trade Fund (note 7.1)	18,054,701	30,000,000	2,981,854	51,036,555
Al Mubarak Diyar Jeddah Real-estate Fund (note 7.2)	9,645,390	-	4,041,418	13,686,808
Al Mubarak Real-estate Income Fund (note 7.3)	4,000,000	-	(1,047,533)	2,952,467
	31,700,091	30,000,000	5,975,739	67,675,830

7.1 Investments in Al Mubarak SAR Trade Fund represent 8,008,765 units (31 December 2019: 2,380,494 units). The fund is unlisted and managed by the Company.

7.2 Investments in Al Mubarak Diyar Jeddah Real-estate Fund represent 964,539 units (31 December 2019: 964,539 units) The fund is unlisted and managed by the Company.

7.3 Investments in Al Mubarak Real-estate income Fund represent 4000 units (31 December 2019: 4000 units) The fund is unlisted and managed by the Company.

The movement of investment at fair value through profit and loss is as follow:

	31 December 2020 ***SR***	*31 December 2019* *SR*
Fair value as at the beginning of the year	**67,675,830**	37,072,296
Addition	**121,470,000**	30,000,000
Unrealised (loss) gain	**(802,362)**	603,534
Fair value as at the end of year	**188,343,468**	67,675,830

8 INVESTMENTS IN ASSOCIATES

Investments in associates consist of investments in private real estate funds. The details of the Company's associate at the end of the reporting period is as follows::

Name of Associates	*% of ownership*	***31 December 2020 SR***	*31 December 2019 SR*
ANBI Business Gate Fund (8.1)	**25.47%**	**206,043,810**	210,533,352
Sara Second Real Estate Fund (8.2)	**23.76%**	**311,229,632**	-
		517,273,442	210,533,352

8.1 In 2015, the Company has subscribed 25.47% of the units of the ANBI Business Gate Fund (the Fund) amounting to SR 242 million. It is a closed-ended private placement real estate investment fund launched on 26 August 2014 for a period of 5 years starting from date of closure of first offering on 11 January 2015. CMA was informed of the offering of the Fund through letter number 8/14/411 dated 9 Shawwal 1435H (corresponding to 5 August 2014).

The Fund's term is for 5 years effective from date of closure of first offering (i.e. 11 January 2015). However, on 10 December 2019, the Fund's board of directors resolved to extend the Fund's duration by additional six months ending on 13 July 2020. The said resolution was approved by the Unitholders. On 21 June 2020 an extension by additional 6 months ended 31 December 2020 was approved by the fund's board of directors. On 15 December 2020 the Fund Manager sent a notification to Capital Market Authority CMAs, to further extended the life of the fund to 31 March 2021 with the approval of the unitholders. Subsequently, the Fund Manager with the approval of the unitholders has further extended the term of Fund till 31 December 2025 and sent a notification to CMA dated 11 February 2021 for the same.

The Company has accounted for its share in the Fund on financial information prepared on a going concern basis. Up to the date of these financial statements, the Unitholders of the Fund did not hold any further meetings after 14 December 2020 meeting referred to above. Based on management's available information and best estimates, the value of the Company's investment in the Fund as at 31 December 2020 will be realizable.

The Fund's purpose is to acquire real estate assets, an income generating real estate property located in the city of Riyadh, out of which the Fund will receive rental and hotel operating income over the Fund term. The Company has the ability to exercise significant influence over the Fund as it manages the Fund through an agreement between the Company as Fund Manager and the Fund's unitholders.

Summarized financial information of the associate is set out below. The summarized financial information below represents amounts shown in associate's financial statements.

	31 December 2020 SR (Unaudited)	*31 December 2019 SR (Audited)*
Current assets	**54,407,364**	70,208,678
Non-current assets	**1,586,965,160**	1,581,907,154
Total assets	**1,641,372,524**	1,652,115,832
Current liabilities	**59,385,607**	51,015,979
Non-current liabilities	**773,020,250**	770,481,022
Net assets	**808,966,667**	830,618,831
Revenue	**173,433,825**	170,888,384
Total comprehensive income	**15,628,025**	1,089,360
Dividends paid during the year	**33,250,000**	30,875,000

8 INVESTMENTS IN ASSOCIATES (continued)

The movement in ANBI Business Gate Fund is as follow:

	31 December 2020 SR	*31 December 2019 SR*
At the beginning of the year	**210,533,352**	218,120,892
Share in results	**3,980,458**	277,460
Share of dividend paid	**(8,470,000)**	(7,865,000)
At the end of the year	**206,043,810**	210,533,352

8.2 On 21 May 2020, the Company has subscribed of 23.76% of the units of the Sara Second Real Estate Fund (the Fund) amounting to SR 325 million. It is a closed-ended private placement real estate investment fund launched on 21 May 2020 for a period of 12 years starting from date of closure of first offering. The fund may be terminated and liquidated early based on the fund manager's decision and the approval of the fund's board of directors and / or in accordance with the relevant provisions of the fund's terms and conditions.

Summarized financial information of the associate is set out below. The summarized financial information below represents amounts shown in associate's financial statements.

	31 December 2020 SR (Unaudited)
Current assets	**194,731,687**
Non-current assets	**1,779,987,272**
Total assets	**1,974,718,959**
Current liabilities	**25,882,883**
Non-current liabilities	**638,947,052**
Net assets	**1,309,889,024**
Revenue	**116,387,516**
Total comprehensive income	**49,282,239**
Dividends paid during the year	**107,238,333**

The movement in Sara Second Real Estate Investment Fund is as follow:

	31 December 2020 SR
At the beginning of the year	**-**
Addition	**325,000,000**
Share in results	**11,709,460**
Share of dividend paid	**(25,479,828)**
At the end of the year	**311,229,632**

The Funds have been accounted for using equity method in these financial statements as set out in the Company's accounting policies in note 3.7.

Dividends received from associates represent the actual amounts attributable and hence received by the Company. The other summary information that precedes the reconciliation to the Company's carrying amount represents amounts included in the financial statements of the associates, not the entity's share of these amounts, although they are adjusted to reflect fair value adjustments upon acquisition or accounting policy alignments.

8 INVESTMENTS IN ASSOCIATES (continued)

The movement of investment in associates is as follow:

	31 December 2020 SR	*31 December 2019 SR*
At the beginning of the year	**210,533,352**	218,120,892
Addition	**325,000,000**	-
Share in results	**15,689,918**	277,460
Share of dividend paid	**(33,949,828)**	(7,865,000)
At the end of the year	**517,273,442**	210,533,352

9 PREPAYMENTS AND OTHER FINANCIAL ASSETS

	31 December 2020 SR	*31 December 2019 SR*
Accrued asset management fees (note 11)	**24,147,538**	14,051,417
Due from related party (note11)	**15,590,903**	11,831,784
Accrued advisory and corporate finance fees	**13,594,063**	1,417,500
Prepaid expenses	**2,059,797**	2,802,571
Accrued special commission income on deposits (note 11)	**423,440**	2,169,163
Others	**2,717,093**	1,406,688
	58,532,834	33,679,123

10 RECEIVABLES AGAINST MARGIN LENDING

The Company extends the margin-financing facilities to its customers to invest in the Saudi stock exchange (Tadawul) who wish to actively trade on a leveraged basis, secured by the tradable securities with an original maturity within 12 months. The facilities are reviewed at least on an annual basis.

	31 December 2020 SR	*31 December 2019 SR*
Receivables against margin lending	**669,590,924**	713,438,256
Accrued special commission income	**1,779,983**	2,547,853
	671,370,907	715,986,109
Expected credit loss allowance	**(466,711)**	(426,055)
	670,904,196	715,560,054

11 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Company, Funds under the Company's management and entities controlled or significantly influenced by such parties. Transactions with related parties included in the statement of comprehensive income are as follows:

Related party	*Nature of transactions*	*Amount of transactions*	
		2020	*2019*
Assets		***SR***	*SR*
Arab National Bank ('ANB') - Parent Company	Current accounts held with ANB	**19,839,655**	44,011,065
	Demand deposit held with ANB	**108,127,723**	1,091,250,000
	Investment in associate (note 8)	**517,273,442**	210,533,352
	Investments in managed funds	**188,343,468**	67,675,830
	Fees from ANB	**1,489,929**	1,312,787
	Accrued asset management fees from managed funds (note 9)	**24,147,538**	14,051,417
	Other receivables from managed funds (note 9)	**15,590,903**	11,831,784
	Accrued corporate finance fee income from ANB	**2,421,563**	1,417,500
	Accrued special commission income on deposits from ANB (note 9)	**423,440**	2,169,163

Related party	*Nature of transactions*	*Amount of transactions*	
		2020	*2019*
Liabilities		***SR***	*SR*
Arab National Bank ('ANB') - Parent Company	Regulatory payments on behalf of the Company	**-**	4,223,064
	Short term loans from ANB	**-**	714,965,658

Related party	*Nature of transactions*	*Amount of transactions*	
		2020	*2019*
Income		***SR***	*SR*
Arab National Bank ('ANB') - Parent Company	Income from ANB discretionary portfolio management	**4,714,124**	5,262,043
	Income from funds	**33,181,168**	27,274,785
	Corporate finance fee income from ANB	**4,350,000**	5,250,000
	Special commission income on deposits from ANB	**13,898,700**	23,451,357
	Advisory fee	**50,300,500**	21,050,000
		2020	*2019*
Expense		***SR***	*SR*
Arab National Bank ('ANB') - Parent Company	Shared services cost allocated by ANB (Note 23)	**(6,422,844)**	(6,422,844)
	Meeting fees to independent directors (Note 23)	**(370,000)**	(370,000)
	Salaries and related benefits to key management	**(14,865,729)**	(13,426,009)

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12 PROPERTY, EQUIPMENT AND RIGHT OF USE ASSET, NET

The cost of property and equipment is depreciated on a straight-line basis over the estimated useful lives:

	Leasehold improvements SR	*Furniture and fixture SR*	*Office equipment SR*	***31 December 2020 SR***
Cost:				
At the beginning of the year	22,503,059	934,865	6,999,567	**30,437,491**
Additions during the year	268,484	99,770	13,001	**381,255**
Disposals during the year	(1,870,184)	-	-	**(1,870,184)**
At the end of the year	20,901,359	1,034,635	7,012,568	**28,948,562**
Depreciation:				
At the beginning of the year	16,592,477	866,025	6,717,181	**24,175,683**
Charge for the year	1,926,796	26,851	107,805	**2,061,452**
Disposals during the year	(519,373)	-	-	**(519,373)**
At the end of the year	17,999,900	892,876	6,824,986	**25,717,762**
Net book amounts:				
At 31 December 2020	**2,901,459**	**141,759**	**187,582**	**3,230,800**

12 PROPERTY, EQUIPMENT AND RIGHT OF USE ASSET, NET (continued)

The cost of property and equipment is depreciated on a straight-line basis over the following estimated useful lives:

	Leasehold improvements SR	*Furniture and fixture SR*	*Office equipment SR*	*31 December 2019 SR*
Cost:				
At the beginning of the year	14,865,506	903,965	6,967,367	22,736,838
Effect of adoption of IFRS 16 on 1 January 2019	7,403,115	-	-	7,403,115
Addition during the year	234,438	30,900	32,200	297,538
At the end of the year	22,503,059	934,865	6,999,567	30,437,491
Depreciation:				
At the beginning of the year	14,539,203	848,482	6,597,191	21,984,876
Charge for the year	2,053,274	17,543	119,990	2,190,807
At the end of the year	16,592,477	866,025	6,717,181	24,175,683
Net book amounts:				
At 31 December 2019	5,910,582	68,840	282,386	6,261,808

13 LEASE LIABILITIES

The movement in lease liabilities during the year are as follows:

	31 December 2020 SR	*31 December 2019 SR*
At the beginning of the year	**6,157,246**	7,879,174
Additions	**-**	172,479
Disposal	**(1,388,338)**	
Finance cost	**188,195**	248,436
Lease payments during the year	**(2,012,362)**	(2,142,843)
At the end of the year	**2,944,741**	6,157,246
Non-current lease liabilities	**1,996,741**	4,147,412
Current lease liabilities	**948,000**	2,009,834

14 INTAGIBLE ASSETS, NET

Intangible assets comprise of software that is amortized on a straight line basis over an estimated useful life of 4 to 10 years.

	31 December 2020 SR	*31 December 2019 SR*
Cost		
At the beginning of the year	**24,906,243**	23,266,345
Additions during the year	**1,381,878**	1,639,898
At the end of the year (14.1)	**26,288,121**	24,906,243
Accumulated amortization		
At the beginning of the year	**16,342,611**	15,026,548
Charge during the year	**1,998,079**	1,316,063
At the end of the year	**18,340,690**	16,342,611
Net book value		
At 31 December	**7,947,431**	8,563,632

14.1 Intangible assets include capital work in progress of SR 1,325,144 (2019: SR 177,186).

15 SHORT TERM LOANS

The Company had obtained a short term revolving loan facility on 1 April 2017 from Arab National Bank to facilitate margin lending to be renewed on 12 months basis and carrying a commission rate within a range of 1.12% to 2.55% per annum (2019: 2.6% to 2.9% per annum). The outstanding revolving loan was fully settled during year 2020.

16 ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2020 SR	*31 December 2019 SR*
Accrued employees' salaries and related benefits	**5,323,936**	5,910,984
Accrued insurance	**1,965,567**	1,558,266
Accrued communication	**1,914,569**	1,914,169
Accrued internet subscription	**1,734,395**	1,714,614
Accounts payable	**1,471,946**	2,115,417
Value added tax payable	**1,241,503**	1,415,103
Accrued software maintenance charges	**1,077,765**	1,037,795
Payable to The Saudi Stock Exchange Company (Tadawul)	**963,523**	835,237
Professional fees	**527,909**	385,415
Accrued social security	**469,613**	455,358
Accrued administrative fee	**437,785**	437,785
Due to Arab National Bank (ANB) (note 11)	**-**	4,223,064
Others	**6,037,577**	3,899,892
	23,166,088	25,903,099

17 ZAKAT AND INCOME TAX

a) *Zakat and income tax charge*

	31 December 2020 SR	*31 December 2019 SR*
Share capital	**1,000,000,000**	1,000,000,000
Statutory and other reserve, beginning balance	**50,846,263**	47,755,364
Retained earnings, beginning balance	**333,575,079**	305,756,989
Adjusted net income	**149,623,832**	63,819,101
Employees' retirement benefits	**22,906,521**	22,503,969
Provisions	**9,462,673**	379,593
Property and equipment as per income tax law	**(7,370,246)**	(30,693,028)
Zakat base	**1,559,044,122**	1,409,521,988
Share of Saudi shareholder in the Zakat base @ 60%	**935,426,473**	845,713,193

Zakat is calculated based on the Zakat base. Some of these amounts have been adjusted in arriving at Zakat base for the year. Following is the composition of the Zakat and tax provision for the year:

	31 December 2020 SR	*31 December 2019 SR*
Zakat charge during the year	**24,047,839**	21,142,830
Reversal of Zakat charge for prior year	**-**	(95,828)
Tax charge during the year	**11,748,857**	5,232,201
Deferred tax charge / (reversal)	**13,283**	(333,075)
	35,809,979	25,946,128

17 ZAKAT AND INCOME TAX (continued)

b) Movement in zakat and income tax payable during the year

	Zakat *SR*	*Income Tax* *SR*	*Total* *SR*
Movement for the year ended 31 December 2020			
At the beginning of the year	**21,268,610**	**2,003,276**	**23,271,886**
Provided during the year	**24,061,122**	**11,748,857**	**35,809,979**
Reversal for prior year	**(13,283)**	**-**	**(13,283)**
Payments during the year	**(22,195,241)**	**(5,509,428)**	**(27,704,669)**
At the end of the year	**23,121,208**	**8,242,705**	**31,363,913**
Movement for the year ended 31 December 2019			
At the beginning of the year	20,929,455	4,161,438	25,090,893
Provided during the year	21,142,830	5,232,201	26,375,031
Reversal for prior year	(95,828)	-	(95,828)
Payments during the year	(20,707,847)	(7,390,363)	(28,098,210)
At the end of the year	21,268,610	2,003,276	23,271,886

c) Status of assessment

The Company has finalized its Zakat and income tax assessments for the years ended 31 December 2008, 2009 and 2010. The Company has also filed the Zakat and income tax return for the years from 2011 to 2019, which are still under review with the GAZT. Zakat and income tax return for the year ended 31 December 2020 will be submitted subsequent to the financial statements issuance date.

d) Deferred tax

	Opening balance *SR*	*Recognized in profit and loss account* *SR*	*Closing balance* *SR*
Movement for the year ended 31 December 2020			
Property and equipment and intangible assets	**524,958**	**(89,501)**	**435,457**
Employees' defined benefit obligation	**2,259,974**	**72,965**	**2,332,939**
Provision for operational losses	**34,084**	**3,253**	**37,337**
	2,819,016	**(13,283)**	**2,805,733**
Movement for the year ended 31 December 2019			
Property and equipment and intangible assets	438,077	86,881	524,958
Employees' defined benefit obligation	2,006,720	253,254	2,259,974
Provision for operational losses	41,144	(7,060)	34,084
	2,485,941	333,075	2,819,016

18 EMPLOYEES DEFINED BENEFIT OBLIGATION

The movement in employees defined benefit obligation for the year ended as follows:

	31 December 2020 SR	*31 December 2019 SR*
Balance at beginning of the year **(A)**	**25,669,647**	25,084,000
Current service cost	**2,502,641**	2,055,164
Interest cost	**808,880**	1,116,345
Amount recognized in profit or loss account **(B)**	**3,311,521**	3,171,509
Re-measurements		
Actuarial gains	**1,024,698**	5,831
Amount recognized in OCI **(C)**	**1,024,698**	5,831
Benefits paid during the year **(D)**	**2,648,227**	2,580,031
Balance at the end of the year (**A+(B-C-D))**	**25,308,243**	25,669,647

The Company carried out an employee benefits actuarial valuation, using the projected unit credit method, of its liability as at 31 December 2020 arising from the end of service benefits to qualifying in-service employees.

Significant actuarial assumptions

The following were the principal actuarial assumptions:

Key actuarial assumptions	***31 December 2020***	*31 December 2019*
Financial assumptions		
Discount rate used	**2.60%**	3.40%
Salary growth rate*	**2.00%**	3.00%
Demographic assumptions		
Retirement age	**60**	60

**A* salary increase assumption of 2.60% p.a. for the first five years has been assumed by the Company and for the subsequent years a salary increase rate of 3.10% p.a. is assumed, and is based on actual salary increases in past years

Sensitivity analysis

A reasonably possible change to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation. The following is a sensitivity analysis for the salary inflation and discount rate assumptions that were performed at the previous and current valuation date:

	31 December 2020	*31 December 2019*
Discount rate +1%	**(2,404,283)**	(2,359,018)
Discount rate -1%	**2,809,215**	2,770,811
Long term salary increases +1%	**(3,087,606)**	2,753,476
Long term salary increases -1%	**2,657,366**	(2,389,898)

19 SHARE CAPITAL

	31 December 2020 SR	*31 December 2019 SR*
Arab National Bank - Ordinary shares (SR 10 per share)	**100%**	100%

Share capital of SR 1,000 million (31 December 2019: SR 1,000 million) is divided into 100,000,000 shares (31 December 2019: 100,000,000 shares) of SR 10 each, which is wholly paid.

20 STATUTORY RESERVE

As required by the Saudi Arabian Companies' Law, the Company must transfer 10% of the net income for the year (after deducting losses brought forward) to the statutory reserve till it has built up a reserve equal to 30% of the capital. The reserve is not available for distribution.

21 REVENUE

a) Brokerage fee income, net

The brokerage income comprises of following:

	31 December 2020 SR	*31 December 2019 SR*
Gross brokerage income	**185,372,754**	111,570,362
Less: Tadawul fees	**(59,459,093)**	(35,969,940)
Less: Discounts	**(57,253,345)**	(48,123,036)
Electronic brokerage fees, net	**228,911**	(303,492)
	68,889,227	27,173,894

b) Asset management fees income

The asset management fee comprises of following:

	31 December 2020 SR	*31 December 2019 SR*
Management and administrative fees from:		
Mutual funds	**33,170,743**	27,265,340
Discretionary portfolios	**9,127,300**	8,293,632
Subscription fees	**10,425**	9,445
	42,308,468	35,568,417

22 SALARIES AND RELATED BENEFITS

	31 December 2020 SR	*31 December 2019 SR*
Basic salaries	**28,373,586**	27,497,846
Staff bonus	**7,304,613**	6,099,598
Housing allowances	**5,074,641**	4,840,319
Defined benefit obligations	**3,311,521**	3,171,509
Social security charges	**2,476,476**	2,498,414
Employees medical expenses	**2,161,410**	2,300,794
Transportation and travelling allowances	**1,821,409**	1,886,529
Cost of living allowance	**679,639**	1,681,445
Others	**3,495,399**	1,739,003
	54,698,694	51,715,457

23 GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2020 SR	*31 December 2019 SR*
Shared services cost allocated from Arab National Bank (ANB) (note 11)	**6,422,844**	6,422,844
Software maintenance and support	**3,941,647**	3,809,981
Subscription fees	**2,459,226**	1,855,226
Professional and consultancy fees	**1,387,063**	684,900
Communication	**1,160,263**	1,656,144
Insurance	**439,218**	448,153
Meeting fees to independent directors (note 11)	**370,000**	370,000
License fee	**210,833**	304,855
Others	**3,417,870**	2,145,782
	19,808,964	17,697,885

24 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding.

	31 December 2020 SR	*31 December 2019 SR*
Income for the year	**108,806,256**	30,903,160
Weighted average number of ordinary shares	**100,000,000**	100,000,000
Basic and diluted, income for the year per share	**1.09**	0.31

25 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is an overview of financial assets, other than cash and cash equivalents, held by the Company as at 31 December 2020 and 31 December 2019.

	31 December 2020 SR	*31 December 2019 SR*
Financial assets at amortised cost		
Receivable against margin lending	**670,904,196**	715,560,054
Financial assets at fair value through profit or loss		
Al Mubarak SAR Trade Fund (note 7.1)	**173,974,456**	51,036,555
Al Mubarak Real-estate Fund (note 7.2)	**11,442,881**	13,686,808
Al Mubarak Real-estate income Fund (note 7.3)	**2,926,131**	2,952,467
Total financial assets	**859,247,664**	783,235,884
Total current	**670,904,196**	715,560,054
Total non-current	**188,343,468**	67,675,830

Set out below is an overview of financial liabilities held by the Company as at 31 December 2020 and 31 December 2019.

	31 December 2020 SR	*31 December 2019 SR*
Financial liabilities at amortised cost		
Short term loans	**-**	714,965,658
Accrued expenses and other payables	**23,166,088**	25,903,099
Zakat and income tax payable	**31,363,913**	23,271,886
Total financial liabilities at amortised cost	**54,530,001**	764,140,643
Total current	**54,530,001**	764,140,643
Total non-current	**-**	-

26 FAIR VALUE HIERARCHY

The following table provides the fair value measurement hierarchy of the Company's financial assets as at 31 December 2020 and 31 December 2019. There are no financial liabilities measured at fair value. The fair value of other financial assets and financial liabilities approximate their carrying value.

		Fair value measurement using		
	Total	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*
As at 31 December 2020	*SR*	*SR*	*SR*	*SR*
Financial assets measured at fair value				
Al Mubarak SAR Trade Fund (note 7.1)	**173,974,456**	-	**173,974,456**	-
Al Mubarak Diyar Jeddah Real-estate Fund (note 7.2)	**11,442,881**	-	-	**11,442,881**
Al Mubarak Real-estate income Fund (note 7.3)	**2,926,131**	-	-	**2,926,131**
As at 31 December 2019				
Financial assets measured at fair value				
Al Mubarak SAR Trade Fund (note 7.1)	51,036,555	-	51,036,555	-
Al Mubarak Diyar Jeddah Real-estate Fund (note 7.2)	13,686,808	-	-	**13,686,808**
Al Mubarak Real-estate income Fund (note 7.3)	2,952,467	-	-	**2,952,467**

There were no transfers between Level 1 and Level 2 fair value measurements during the year, and no transfers into or out of Level 3 fair value measurements during the year.

27 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

Introduction

The Company's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to market risk (which includes interest rate risk, currency risk and equity price risk), liquidity risk, and credit risk and investment holding period risk arising from the financial instruments it holds.

Risk management structure

The Company's Board of Directors is ultimately responsible for the overall risk management of the Company.

Risk measurement and reporting system

The Company's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses that are an estimate of the ultimate actual loss based on statistical models. The models make use of the probabilities derived from historical experience, adjusted to reflect the economic environment.

Monitoring and controlling risks is primarily set up to be performed based on limits established by the Board of Directors. These limits reflect the business strategy, including the risk that the Company is willing to accept and the market environment of the Company. In addition, the Board monitors and measures the overall risk in relation to the aggregate risk exposure across all risk type and activities.

27 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk mitigation
The Company has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

Excessive risk concentration
Concentration indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets. Concentrations of foreign exchange risk may arise if the Company has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The investment manager is instructed to reduce exposure or to use derivative instruments to manage excessive risk concentrations when they arise.

Credit risk
Credit risk refers to the risk that a party to a financial instrument will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties, for whom the credit risk is assessed to be low. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties. The Company maintains bank accounts with high credit rated financial institutions.

The table below shows the Company's maximum exposure to credit risk for components of the statement of financial position.

	31 December 2020 SR	*31 December 2019 SR*
Receivable against margin lending (note 10)	**670,904,196**	715,560,054
Investments at fair value through profit or loss (FVTPL) (note 7)	**188,343,468**	67,675,830
Investments in associates (note 8)	**517,273,442**	210,533,352
Cash and cash equivalents (note 6)	**127,967,379**	1,135,261,065
	1,504,488,485	2,129,030,301

Credit concentration
Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

No significant concentrations of credit risk were identified by the management as at the reporting date.

The management has conducted an assessment as required under IFRS 9 and based on such assessment, the management believes that there is no need for any significant impairment loss against the carrying value of cash and cash equivalents, time deposits, due from related parties and other financial assets.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by ensuring that sufficient funds are available from Shareholders and related parties at all times to meet any future commitments, and financing facilities are available.

27 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments:

31 December 2020	*On Demand SR*	*Within 3 months SR*	*3 months to 1 year SR*	*Above 1 year SR*	*No fixed maturity SR*	***Total SR***
Accrued expenses and other liabilities	**-**	**-**	**23,166,088**	**-**	**-**	**23,166,088**
Total financial liabilities	**-**	**-**	**23,166,088**	**-**	**-**	**23,166,088**
31 December 2019						
Short term loans	714,965,658	-	-	-	-	714,965,658
Accrued expenses and other liabilities	-	-	25,903,099	-	-	25,903,099
Total financial liabilities	714,965,658	-	25,903,099	-	-	740,868,757

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The maximum risk resulting from financial instruments equals their fair value. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board of Directors has established limits on the interest gaps for stipulated periods. The Company's investments in debt securities carry fixed interest rates and mature within five years.

Equity price risk

Equity price risk is the risk of unfavourable changes in the fair values of equity instruments as a result of changes in the value of individual shares. The equity price risk exposure arises from the Company's investments in equity securities. The Company's investments are susceptible to market price risk arising from uncertainties about future prices. The Board manages this risk through diversification of its investment portfolio in terms of geographical distribution and/or industry concentration.

Sensitivity analysis

The table below sets out the effect on profit or loss and other comprehensive income of a reasonably possible weakening /strengthening in the individual equity market prices by 5% at the reporting date. The estimates are made on an individual investment basis. The analysis assumes that all other variables, in particular commission and foreign currency rates, remain constant.

27 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Sensitivity analysis (continued)

Effect on profit and loss	***2020***		*2019*	
		SR		*SR*
Net (loss) gain on investments held at fair value through profit or loss	+ 5%	**9,417,173**	+ 5%	3,383,792
	- 5%	**(9,417,173)**	- 5%	(3,383,792)

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company does not have any significant exposure to currency risk as all its significant monetary assets and monetary liabilities are denominated in Saudi Riyals. The Company did not undertake significant transactions in currencies other than Saudi Riyals and US dollars during the year and Saudi Riyals are pegged to the US dollar.

28 SEGMENT INFORMATION

2020	***Brokerage SR***	***Asset management services SR***	***Corporate finance and real estate advisory SR***	***Treasury SR***	***Margin financing SR***	***Head office SR***	***Total SR***
Revenue	**68,889,227**	**42,308,468**	**70,866,942**	**13,898,700**	**22,344,285**	**93,163**	**218,400,785**
Expenses*	**(30,285,548)**	**(18,872,925)**	**(15,420,449)**	**-**	**(11,906,221)**	**(12,989,325)**	**(89,474,468)**
Income from operations	**38,603,679**	**23,435,543**	**55,446,493**	**13,898,700**	**10,438,064**	**(12,896,162)**	**128,926,317**
Total assets	**8,638,849**	**47,231,634**	**2,594,062**	**108,127,723**	**670,904,195**	**739,538,820**	**1,577,035,283**
Total liabilities	**1,071,279**	**247,648**	**-**	**-**	**466,711**	**80,997,347**	**82,782,985**
2019							
Revenue	27,173,894	35,568,417	26,300,000	23,451,357	35,868,925	1,781,534	150,144,127
Expenses*	(31,446,363)	(21,032,561)	(7,270,515)	-	(21,408,310)	(12,414,550)	(93,572,299)
Income from operations	(4,272,469)	14,535,856	19,029,485	23,451,357	14,460,615	(10,633,016)	56,571,828
Total assets	4,200,375	25,981,847	1,417,500	1,091,250,000	715,560,054	341,979,104	2,180,388,880
Total liabilities	930,889	259,757	-	-	714,965,658	79,811,232	795,967,536

* Total expenses and income from operations are not matching with the statement of profit or loss because finance cost has been taken to margin lending for the purpose of segment reporting.

29 CAPITAL COMMITMENTS AND CONTINGENCIES

As at 31 December, the Company has the following commitments:.

	31 December 2020 SR	*31 December 2019 SR*
Un-utilized margin lending limits	**606,306,094**	473,653,891
Capital commitments	**1,158,475**	3,512,048
	607,464,569	477,165,939

30 SUBSEQUENT EVENTS

In the opinion of management, there have been no significant subsequent events since 31 December 2020 that would have a material impact on the financial position or financial performance of the Company as reflected in these financial statements.

31 CAPITAL ADEQUACY

The Capital Market Authority has issued Prudential Regulations (the "Rules") dated 30 December 2012 (corresponding to 17 Safar 1434H) pursuant to Royal Decree No. M/30 dated 2/6/1424H. According to the Rules, CMA has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology as prescribed under Pillar I. In accordance with this methodology, the Company has calculated its minimum capital required and capital adequacy ratios as follows:

	31 December 2020 SR′000	*31 December 2019 SR′000*
Capital base		
Tier I	**1,483,499**	1,373,039
Total	**1,483,499**	1,373,039
Minimum capital		
Market risk	**27,836**	8,166
Credit risk	**460,732**	324,772
Operational risk	**25,433**	23,393
Total	**514,001**	356,331
Capital adequacy ratio	**2.89**	3.85
Surplus	**969,498**	1,016,708

31 CAPITAL ADEQUACY (continued)

a) The Capital Base of the Company comprises of

- Tier-1 capital consists of paid-up share capital, retained earnings, share premium (if any), reserves excluding revaluation reserves.
- Tier-2 capital consists of subordinated loans, cumulative preference shares and revaluation reserves.

b) The minimum capital requirements for market, credit & operational risk are calculated as per the requirements specified in part 3 of the Prudential Rules issued by the CMA.

c) The Company's business objectives when managing capital adequacy is to comply with the capital requirements set forth by the CMA to safeguard the Company's ability to continue as a going concern, and to maintain a strong capital base.

32 IMPACT OF COVID-19 ON BUSINESS AND OPERATIONS

During March 2020, the World Health Organisation ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Kingdom of Saudi Arabia in particular implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

The COVID-19 pandemic continues to disrupt global markets as many geographies are experiencing a "second wave" of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date, owing primarily to the unprecedented yet effective measures taken by the Government, following which the Government has ended the lockdowns and has taken phased measures towards normalization.

The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the coronavirus and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorization of these financial statements. These developments could impact our future financial results, cash flows and financial condition.

33 ASSETS HELD UNDER FIDUCIARY CAPACITY

Assets held in trust or in a fiduciary capacity are not treated as assets of the Company, since the Company does not earn economic benefits from these assets and accordingly treated as off balance sheet items.

33.1 Assets under management

These represents Mutual Funds' and Discretionary portfolio assets managed by the Company, which amount to SR 7.5 billion as at 31 December 2020 (2019: SR 5.8 billion).

33.2 Clients' cash accounts

The Company was holding clients' cash accounts with ANB, which amount to SR 3.7 billion as at 31 December 2020 (2019: SR 2.6 billion), to be used for investments on the clients' instructions. Consistent with its accounting policy, such balances are not included in the Company's financial statements.

34 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 24 March 2021 (corresponding to 11 Sha'ban 1442H).